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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 001038

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SUBJECT: KMT CHAIRMAN WU POH-HSIUNG ON DOMESTIC POLITICS,
CROSS-STRAIT ISSUES, AND ARMS SALES

Classified By: AIT Chairman Stephen M. Young,
Reasons: 1.4 (b/d)

¶1. (C) Summary: KMT Chairman Wu Poh-hsiung, accompanied by Vice Chairman John Kuan and former TECRO Representative Stephen Chen, told the Director on July 14 that it is impossible for President Ma Ying-jeou to stay on the "second line" in the Taiwan political environment. In the fall-out over the KMT-controlled Legislative Yuan's recent rejection of some presidential nominations, Wu said, Ma has learned an important lesson about the need for close, direct communication with the party caucus. Wu said Beijing has agreed to use "Zhonghua Taibei" as the Chinese translation of "Chinese Taipei," the name of Taiwan's Olympic team, rather than "Zhongguo Taibei." (Note: "Zhongguo Taibei" is offensive to Taiwan because it suggests Taiwan is part of China, i.e., the PRC.) Also, the Taiwan team will be separated from the Hong Kong and Macau teams in the Olympics opening ceremony procession. Wu raised the arms sales issue, stressing Taiwan is completely united on wanting to move ahead now on procurement and is waiting for the U.S. to complete its processing. The Director, Wu, and Kuan also discussed KMT plans to increase the number of younger party leaders, DPP Chairperson Tsai Ing-wen's efforts to rebuild her party, and an erroneous newspaper article that they insisted had misquoted John Kuan on the unification issue. End Summary.

KMT Unity

¶2. (C) The Director discussed recent political developments with KMT Chairman Wu Poh-hsiung at KMT headquarters on July 14. Wu was accompanied by Vice Party Chairman John Kuan and former TECRO Representative Stephen Chen. Contrary to some media reports, Wu claimed there is "absolutely no problem" in KMT unity. According to Wu, the rejection by the KMT-controlled Legislative Yuan (LY) of a small number of presidential nominees for the Control Yuan (CY) was "very normal." Although the party played its role supporting the presidential office, its power of persuasion was limited. Wu acknowledged that the KMT had been inaccurate in its estimate of the votes for former DPP legislator Shen Fu-hsiung. Shen lost the confirmation vote for CY vice chairman, in part because he received little support from DPP legislators.

¶3. (C) Ma and the KMT learned from the experience on the CY vote that it is important to increase communication with the

KMT's LY caucus. Wu noted that prior to the vote for Examination Yuan nominees, which took place one week after the CY vote, Ma Ying-jeou made more than 80 phone calls to lobby LY members for support, "just like a U.S. president." From the experience with the CY and EY votes, the administration and the KMT caucus have learned how to relate to each other better, Wu observed. In the Taiwan political environment, Ma cannot stay on the "second line," Wu argued, adding that Ma is effective in gaining popular support when he appeals to people directly. This includes presidential phone calls to local officials when there are floods or other disasters.

14. (C) During the final year of his term as party chairman, Wu said he hopes to increase the percentage of younger people in leading positions. While the party needs the older generation of leaders, it also needs to substantially increase the number of younger people in their 30s to 50s. Wu also suggested the KMT should have a system of discrete generations of leaders, as in the PRC.

The Olympics

15. (C) Noting he would be attending the Olympics opening ceremony in Beijing, Wu said he would then visit friends in Tianjin and Dalian and return to Beijing to watch the Taiwan baseball team's first game, which will be with Holland. Wu said he and also Honorary Chairman Lien Chan did not plan any meetings with officials in Beijing but they might be invited to a large reception. Taiwan is insisting on using "Zhonghua

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Taipei" as the Chinese translation for "Chinese Taipei" at the Olympics rather than "Zhongguo Taipei", which Beijing often uses. (Note: "Zhongguo Taipei," which can be translated as "China Taipei" is offensive to Taiwan because it suggests Taiwan is part of China, i.e., the PRC.) In response to Taiwan's insistence, Beijing has guaranteed it will use "Zhonghua Taipei" for Chinese Taipei at the Olympics. In addition, Beijing has agreed that the Taiwan Olympic team will be separated from Hong Kong and Macau in the opening ceremony procession of athletes. Wu said the Taiwan team will be placed between Japan and Central Africa.

Cross-Strait Relations

16. (C) According to Wu, cross-Strait relations are now heading in the right direction, and it is important for this process that the two sides continue to set aside disputes over sensitive issues like independence-unification or national name. Observing that mainland tourists will not have a major effect on Taiwan's economy, Wu suggested that this opening and other steps will help create a peaceful atmosphere and demonstrate Taiwan is not moving toward independence. The next KMT-CCP party-to-party symposium should be in Taiwan, Wu noted, adding that the Taiwan participant in these symposia is the KMT think tank, the National Policy Foundation, which is headed by Lien Chan. The KMT is looking for a topic for the next symposium that will not be too controversial, for example, culture, health, or environmental protection. As an academic meeting, outside scholars may also be invited, Wu said.

Arms Procurement

17. (C) Wu raised the arms sales issue, stressing that there are no internal differences in Taiwan over policy to move ahead now on arms procurement from the U.S. The LY has approved the funds for the arms purchases, and Taiwan is now waiting for the U.S. to complete its processing. The Taiwan government has a clear and unified policy on defense and will increase defense spending to 3 percent of GDP. Taiwan wants

to continue the peaceful development of cross-Strait relations. However, Taiwan understands that it needs to have a strong defense capability to be in a position to talk to Beijing.

DPP and Tsai Ing-wen

¶8. (C) Acknowledging that the DPP has recovered somewhat under new Chairperson Tsai Ing-wen, Wu maintained that Deep Green supporters of Taiwan independence could frustrate the opposition party's efforts to make a major comeback. While Tsai Ing-wen has a good image outside the party, as in the case with Ma Ying-jeou, people are uncertain whether she has the necessary strong leadership capabilities. The DPP's factions are very contentious and should be thoroughly done away with, Wu argued. Asked about the DPP's debts, Wu said money is not really a problem as DPP leaders like Frank Hsieh and Chen Shui-bian are well-to-do.

¶9. (C) In reaction to a front page article in the July 14 Liberty Times that John Kuan had reportedly spoken positively about unification in an event last week in Wuhan, Kuan told the Director he had been misquoted and the report was groundless, adding he had already issued a statement. (Note: The information in the article came from a report in the July 10 issue of the Hong Kong Wen Wei Po newspaper.) Wu said this incident was similar to another recent case in which the Liberty Times claimed erroneously that the KMT planned to restore the National Unification Council and that he had reached an agreement with Hu Jintao on the matter.

Comment

¶10. (C) Ma Ying-jeou's original plan to stay on the "second

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line," which he had argued was mandated by the constitution, has unraveled in the face of media criticism and the difficulties over his Control Yuan nominations. Presumably counseled by various advisors, including Wu Poh-hsiung, Ma has now adjusted his approach and is playing a more pro-active role as president. Wu seemed to believe Ma has learned an important lesson and now realizes both the impossibility of staying on the "second line" and the necessity of working directly with the powerful and sometimes troublesome KMT caucus. That said, there was an undercurrent of frustration over Ma's early governance in Wu's discussion of the KMT president, which suggests some rivalry between the two continues.

YOUNG